

COUNCIL ON HOUSING  
Public Session  
Buena Vista Conference Center  
New Castle, Delaware  
November 12, 2008

**Action Items**

- **Synetics Corporation**
- **Cornerstone West**

On November 12, 2008, Norma Zumsteg, Vice Chair, called to order the Public Session of the Council on Housing at 2:06 p.m. In addition to Ms. Zumsteg, the following Council members were present:

Roseann Harkins	Bill Pearson
Hugh Leahy	Ralph Peters
Connie Louder	Ruth Sokolowski
Connie McCarthy	Vincent White

The following Council members were absent and excused from the meeting:

Russ Huxtable  
John Walker

The following persons also attended the meeting:

Lynda Blythe, Administrative Specialist III, Delaware State Housing Authority (DSHA)  
Matt Heckles, Executive Assistant, DSHA  
Tim McLaughlin, Deputy Director, DSHA  
Jerry Jones, Housing Finance/Development Administrator, DSHA

Guests present:

Merton Briggs, Director of Housing, National Alliance of Mental Illness-Delaware (NAMI)  
Carlyle Hooff, Executive Director, NAMI-DE  
Paul Calistro, President, Cornerstone West  
Joan Fultz, Director, Cornerstone West  
Thomas McGonigle, Esq., WolfBlock, LLP  
Michael Skipper, WSFS Bank  
Gina Miserendino, Delaware Housing Coalition

## **APPROVAL OF MINUTES**

Ms. McCarthy made motion to approve the October 8, 2008 Minutes as presented. Mr. Pearson seconded the motion and the minutes were approved unanimously.

## **HDF STATEMENT**

Mr. Jones reviewed the attached HDF statement noting:

- Three upcoming closings:
  - Hurd's Crossing (Item 97).
  - Middletown Trace (Item 98).
  - Huling Cove (Item 109).
- Changes in commitments of items funded in October:
  - Lexington Green (Items 114 and 115) would be closing in the next 60-90 days.
  - Step-Up (Item 116) RFP's had been published.
  - Delaware Federation of Housing Counselors (Item # 117) funding had occurred.
- Funding requests for November are:
  - West End/Pavilion (Item 119).
  - Kensington Lane (Item 121).

## **SYNETICS CORPORATION LOAN REQUEST**

Mr. Jones explained the Sponsor, Synetics Corporation, is an affiliate of NAMI, which had previously been known as Alliance for the Mentally Ill in Delaware (AMID). Items of note in the attached request are:

- Project is a single story, group home, known as Kensington Lane in Newark, for five persons living with mental illness.
- Request is for \$225,000 at 3% amortized over 20 years with a balloon payment in 10 years.
- NAMI will provide \$75,000 for upgrades such as wiring, safety and other handicap accessible renovations to the facility.
- DSHA will have a first lien position.
- Beneficiaries of the project are very low-income residents with psychiatric disabilities who are clients of the Division of Substance Abuse and Mental Health (DSAMH).

- Building is owned by Synetics and will be leased to a private firm, Psychotherapeutic Services Inc. (PSI), for \$3,500 per month.
- PSI will provide 24-hour staffing and support services as well as day-to-day operations of the home.
- Persons served must be at least 18 years of age with no upper limit and are either inpatients at Delaware State Hospital; experiencing recent and frequent psychiatric hospitalizations; are homeless; and/or are living alone or with others in substandard conditions; or persons with serious psychiatric disabilities requiring intensive residential rehabilitation.
- NAMI has developed 58 properties statewide, comprised of 53 scattered sites and 5 group homes, with approximately 240 residents.
- Group homes have 24-hour staff; scattered sites are visited occasionally by support services and managed by NAMI.
- Sponsor has previously received from and repaid to DSHA funding of approximately \$2.1 million for financing of 14 properties.
- Expected outcome of the facility is to reduce number of persons in the state hospital; increase number of days in stable treatment; improve life and social skills and provide stable employment for participants.

Regarding the operating budget, Mr. Jones highlighted:

- Approximately \$15,000 of the \$42,000 annual income will be paid to DSHA for debt service.
- A surplus of approximately \$7,000 allows for development of other group homes and capital improvements of the property.

Responding to questions from Ms. Sokolowski, Mr. Jones explained there is no relationship between NAMI and PSI, that PSI is a private organization, approved and funded by the state, which currently operates another facility for NAMI in Felton. NAMI is responsible for the major upkeep of the facility and PSI handles daily operations. Ms. Harkins asked what costs were covered in the management fees to which Mr. Jones replied the fees are for the management company's expenses, i.e. audit, staffing, etc. Utilities are paid by PSI. Mr. Pearson asked if the \$3,500 fee was subsidized and if PSI covered all medical needs. Mr. Jones responded the fee is provided through the state's contract with PSI and PSI handles medical needs which may be covered by Medicaid, etc.

It is the recommendation of staff that the loan be approved. Mr. Jones particularly noted the following items under Conditions of Funding:

- Item 2 - DSHA will review the lease agreement among all parties.
- Item 3 - assurance that DSAMH will seek funding from the General Assembly for both operations and rent subsidy each year for the term of DSHA's loan.
- Item 4 - the loan will be limited to the appraised value of the property.
- Item 10 - the 20-year commitment on affordability.

Mr. Leahy, as Chair of the Loan Review Committee, stated the Committee had reviewed the request and recommends Council approve same. At this time, Ms. Harkins moved that Resolution No. 378 be approved. Mr. Peters seconded the motion which was unanimously passed.

### **CORNERSTONE WEST FUNDING REQUEST**

Mr. Jones presented the attached grant request of \$357,500 by Cornerstone West, for their Pavilion project located near St. Francis Hospital in Wilmington, to provide 11 townhouses for lower income families. DSHA has already provided the Cornerstone West gap financing for 88 houses. The beneficiaries of the project will be nine families with incomes not exceeding 80% of the median income and two families at 50% of median income for New Castle County. Mr. Jones particularly noted:

- The site is currently vacant and environmental remediation has been accomplished using funds awarded by Delaware Department of Natural Resources and Environmental Control (DNREC).
- Housing counseling is a prerequisite for buyers.
- All of the townhouses will be three bedroom and as further described in the attached.
- DSHA is providing gap financing approximating 14% of the total development cost.
- The City of Wilmington is waiving permits/fees.
- No developer fees will be taken until the units are sold.
- Selling prices will range only from \$112,500 to \$142,000 due to bank and government support to maintain affordability in the area.

Mr. Peters asked if DSHA had a copy of Cornerstone's Board's resolution approving the project. Mr. Jones replied yes, it is included in the application. Ms. Sokolowski asked for clarification of the revolving fund noted in the sources of funding. Mr. Jones responded the fund is comprised of Wilmington Trust and First State Loan Fund to provide a line of credit to draw construction proceeds.

Mr. Jones continued by stating staff is recommending approval of the grant and stated the conditions are as normally seen but noted Item 11 provides a seven-year restriction on the loans. Mr. Leahy stated the Loan Review Committee did question whether there would be buyers available but also noted the lengthy experience of the sponsor in marketing and selling prior phases and, therefore, recommends the grant be approved. Mr. Peters questioned if Cornerstone was financially solvent to carry the construction interest while they wait for qualified buyers. Ms. Fultz responded that Cornerstone has committed to their board that 30% of the homes will be sold prior to construction, that all buyers must have a pre-approved bank commitment and participate in homeownership counseling.

Ms. Harkins asked if there were plans to continue the homes in the 80% of median price range beyond the seven years. Mr. Calistro replied that Cornerstone is working with the Diamond State

Community Land Trust to possibly place one of the Pavilion homes in perpetuity for affordability and perhaps to place a percentage of future developments in similar restrictions. Ms. McCarthy questioned how a home would be maintained in perpetuity if the owner wished to sell it. Mr. Calistro responded that the homes would be deed restricted. Ms. McCarthy noted the deed restriction could cause difficulty in securing permanent financing. Mr. Calistro stated that, although this is a new concept to Delaware, it has worked in other states. Mr. Skipper explained the land trust properties are similar to condominium ownership; i.e. the land trust owns the land and the deed contains restrictions as to income limits of buyers, while the homeowner maintains the building. Mr. Skipper further stated standard financing entities, such as Freddie Mac and Fannie Mae, are available for these properties.

There being no further discussion, Mr. Leahy moved that Resolution No. 379 be adopted. Mr. Pearson seconded the motion and it was passed unanimously.

### **DIRECTOR'S REPORT**

Mr. McLaughlin, in Ms. Johnson's absence, presented the Director's Report on the following items:

- Housing and Economic Relief Act of 2008 (HERA)

Neighborhood Stabilization Funds created under HERA to:

- Establish mechanisms for purchase and redevelopment of foreclosed homes
- Purchase and rehabilitate abandoned or foreclosed properties
- Establish land banks for foreclosed homes
- Demolish blighted structures
- Redevelop demolished or vacant properties

The entire Delaware allocation of \$19.6 million was directed to DSHA which has:

- Issued a broad RFP looking for feedback and creativity from the state's housing community who would be interested in participating in the program.
- Hosted an open meeting October 14, 2008 to discuss eligible activities and the RFP application process.
- Received nine applications requesting funds totaling \$60 million.
- Scored the applications utilizing a review board comprised of staff members, a JPMorgan Chase representative and Ms. Zumsteg from Council.
- Released, for public comment, a draft of the plan to be submitted to HUD on December 1.

Mr. Peters asked if any public comments meetings were scheduled. Mr. McLaughlin responded no meetings were scheduled; however, comments, either in writing or delivered personally, would be accepted until November 26.

Ms. Sokolowski asked if Mr. McLaughlin would be presenting, to the Council today, an overview of the draft plan. Mr. McLaughlin responded he would not be; however, he stated the main focus of the non-profit applicants was to secure foreclosed properties then look to other partners to make those properties ready for re-sale. Mr. McLaughlin noted there was very little interest in demolition and re-development of new sites and even less interest in rentals as provided in the program.

Ms. Sokolowski asked that, in the future, Council be notified of any requests for comments on DSHA programs, along with a copy of the program, even if Council approval is not required. Mr. McLaughlin stated he will send to each member a summary of the process, an overview of and the draft available of this program for Council comments. Ms. Sokolowski inquired as to the decision making of the allocation of funds on a sub-state basis and if a recapture provision was included in the event the participants did not fulfill their goals. Mr. McLaughlin responded the decisions were based primarily on a scoring need by zip code reported in current data, but also included the quality of the application and make up of the proposed program, as well as other factors; and, that a recapture provision is included.

Mr. White questioned if homes in this program would be affected by the downward spiral of an already depressed market and would the homeowners be assuming the risk of devaluation. Mr. Peters commented that the intent of this program is neighborhood stabilization and revitalization and targets homes in already distressed areas. Mr. Calistro stated the nonprofit organizations will be assuming the largest risk but that subsequent meetings among all players will be held to mitigate the risks.

- Qualified Action Plan (QAP)

- The QAP draft has been posted to the DSHA website.
- A public hearing to discuss the 2009 plan is scheduled for December 1, 2008, 10:00 a.m. - 12:00 p.m. at DNREC, 89 Kings Highway, Dover.
- Oral and written comments will be accepted until the public meeting.
- The final QAP will be submitted to the Governor and posted on the DSHA website in December.

- Step-Up Program

- Council funded an additional \$1 million to the program in October.
- Applications are due November 17.
- The applications will be reviewed and scored the first week in December by a panel comprised of DSHA staff members, Council members, Mr. Leahy and Mr. Walker, along with representatives from various organizations.
- Grant announcements should be made the latter half of December.

## **ADMINISTRATIVE MATTERS**

### **COMMUNICATIONS COMMITTEE REPORT**

Ms. McCarthy, Committee Chair, presented the Draft COH Annual Report which was distributed to all members (copy attached) and noted:

- An Executive Summary will be prepared upon the completion of the report.
- The Committee hopes to be scheduled on the Governor-elect's calendar for the end of January.
- A current biography of each member is requested for inclusion in the report.

Mr. McGonigle, responding to Ms. McCarthy's request for his suggestions on the report, particularly regarding the recommendations, stated:

- A letter of budget support should be sent to Governor Minner in December.
- The Annual Report should be sent after the Governor-elect has taken office.
- The list of recommendations in the report should possibly be pared down to only the Council's top priorities.
- Perhaps input should be requested from the Governor-elect's housing transitional team prior to finalizing the report.

Ms. McCarthy next began a review of the recommendations; which were discussed by the recommendation's numerical order:

- No. 1. Mr. Peters urged Council to provide the Governor with a clear policy on housing rather than recommending the Governor produce one.

Mr. Pearson concurred that solutions for each recommendation should be included; however, he believes the list itself should include more items than currently shown.

- No. 2. Constitutes the intent of the budget support letter to be sent to Governor Minner and should include verbiage to the effect that Council is considering longer range ideas to be submitted at a later date should also be included.

Ms. Zumsteg stated that a Budget Office hearing on housing will be held November 18<sup>th</sup> in Legislative Hall. Ms. McCarthy will attend the meeting and requested that other Council members also attend, schedules permitting.

Ms. Sokolowski recommended the Council conduct public meetings to solicit input for the Annual Report. Ms. Harkins agreed, although she believed there would be not be enough time to hold meetings before the report is submitted, and recommended Council do this in the future. Ms. Harkins also suggested, rather than reviewing each recommendation at this meeting, that members email their comments on each item to the Communications Committee

who would then re-draft and present the report at a later date. Ms. McCarthy asked if this type of email communication would be proper, Mr. McGonigle said it would be as long as the communication was comments only and not discussions between members.

Mr. Peters suggested Items 3, 5, 6, 12, 13 and 14 were of a timely nature and should be included in the budget support letter to Governor Minner.

No. 3. This item should not be included in the budget letter as it would require Legislative action.

No. 5. Mr. Heckles explained Senate Bills 330 and 332 were Bills which were not passed last year. Ms. Harkins recommended these type of specifics be removed from the recommendations, since Council did not have copies of the Bills and, therefore, could not comment on them.

No. 13. Mr. Jones reminded Council that preservation has been DSHA's focus for the last couple of years and, in his opinion, preservation funding is still a priority.

Ms. Harkins suggested one of the Council's goals for next year would be a review of DSHA's five-year plan and could include topics such as foreclosures and needs of seniors among others.

The Council, at this time, again discussed the deadlines for the budget support letter to Governor and the Annual Report to the Governor-elect. Mr. White made a motion that the letter to Governor Minner be prepared for presentation on November 18<sup>th</sup> and Mr. Peters seconded the motion. Ms. McCarthy will prepare the letter. Council unanimously passed the motion.

The completion date of the Annual Report was discussed at great length. Mr. Peters suggests it done by January 20, 2009. Ms. Sokolowski suggested by the end of January/beginning of February with an intervening letter with some, but not all, of the report's recommendations. Ms. Harkins suggested attaching the letter to Governor Minner as an appendix to the report.

Mr. White made a motion that the Council's report to the Governor and General Assembly be completed by January 31, 2009. Mr. Peters seconded the motion and it was unanimously passed.

Mr. White made a motion that Council hold public hearings on the content of the report by January 10, 2009. Ms. Zumsteg seconded the motion. Ms. Harkins stated the report is that of the Council and not of the public. Mr. Peters stated there would not be sufficient time to hold public meetings and discuss the public's input for inclusion in the report. Ms. Harkins suggested public meetings be held after the report was submitted and those recommendations then be reviewed for inclusion in next year's report. Mr. White withdrew his motion. Mr. Jones suggested Council could solicit comments from the public by utilizing DSHA's Highlights emails which are sent to over 1500 people.



Ms. Zumsteg confirmed with Mr. McGonigle that Council members could copy their comments on the recommendations via email. Ms. Sokolowski moved that Council provide to Mr. Heckles by November 26<sup>th</sup> their comments on the recommendations and that Mr. Heckles compile the comments and redraft, in categories, the recommendations and corresponding comments. The motion was seconded by Mr. Pearson.

After much discussion, Ms. Sokolowski amended her motion to be that feedback on all recommendations be sent to Mr. Heckles by November 19<sup>th</sup> for compilation; the Communications Committee and Mr. Heckles will then meet to review the compilation and prepare a revised section of recommendations which will be sent to the full Council by December 3<sup>rd</sup> for discussion at the December 10<sup>th</sup> meeting. The motion was seconded by Mr. Pearson and unanimously passed.

#### **OTHER MATTERS**

- DSHA's Budget Hearing will be held November 18, 2008 at Legislative Hall.
- An invitation to attend the Delaware Housing Policy Breakfast Forum to be held November 20<sup>th</sup> at the Chase Center on the Riverfront in Wilmington was distributed.

#### **SCHEDULING OF NEXT MEETING**

The next meeting will be held December 10, 2008 at the Sheraton Dover.

#### **ADJOURNMENT**

Motion to adjourn was made by Mr. Pearson and seconded by Ms. Harkins. The motion was unanimously approved and the meeting adjourned at 4:10 p.m.

Respectfully submitted,

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Lynda T. Blythe